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TO: All State Agencies

FROM: Robert J. Murphy, Director
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SUBJECT: 2011 Federal Income Tax Withholding Information

The Percentage Method of Withholding is addressed in this memo which includes extractions from the 2011 Federal Income Tax Withholding Tables (found in the IRS Publication 15, Circular E - Employer's Tax Guide).

Please Note:

- The "Making Work Pay" credit expired on December 31, 2010. As a result:
 - 1) The income tax withholding tables for 2011 are not adjusted for the Making Work Pay credit
 - 2) There is no longer an optional additional withholding adjustment for pensions
 - 3) The procedure for withholding on wages of nonresident aliens has been modified. See IRS Publication 515, "Withholding of Tax on Nonresident Aliens and Foreign Entities" for details. Basically, the table, "Withholding Adjustment for Non-Resident Aliens Wages Paid in 2010" has been eliminated due to the expiration of the "Making Work Pay Credit."
- Advance payment of earned income credit (EIC) through payroll payments expired on December 31, 2010. Individuals who received advance payments of EIC in 2010 must file a 2010 federal income tax return. Individuals eligible for EIC in 2011 can still claim the credit when they file their 2011 federal income tax return. Additionally any employee who expects to be eligible for the EIC and will have income tax withheld from wages in 2011 may reduce their withholding in order to receive the benefit of a portion of the credit throughout the year.
- The annual personal exemption amount for 2011 will be \$3,700.00.
- Tax calculations and estimates of net pay can be readily determined by using the Central Payroll Bureau *Net Pay Calculator* located on the home page of our web site -

http://compnet.comp.state.md.us/central_payroll_bureau

- Other important links located on our home page are:

2011 Federal Withholding Tables
2011 Maryland Withholding Tables

2011 Federal Income Tax Withholding Information - PERCENTAGE METHOD**ALLOWANCE TABLE**

Dollar Amount of Withholding Allowances

Number of Withholding	Biweekly Pay Period	Monthly Pay Period
Allowances		
0	\$ 0	\$ 0
1	142.31	308.33
2	284.62	616.66
3	426.93	924.99
4	569.24	1,233.32
5	711.55	1,541.65
6	853.86	1,849.98
7	996.17	2,158.31
8	1,138.48	2,466.64
9	1,280.79	2,774.97
10	1,423.10	3,083.30

Over 10 – Multiply amount of one withholding allowance (\$142.31 for bi-weekly or \$308.33 for monthly) by the number of Allowances claimed.

The annual personal exemption amount of \$3,700 equals the Bi-Weekly amount of \$142.31 (1 exemption) multiplied by 26, rounding to nearest whole dollar, **or** the Monthly amount of \$308.33 (1 exemption) multiplied by 12, rounding to nearest whole dollar.

NOTE: Use of these tables to compute estimated tax withholdings will result in amounts that differ slightly (by a few cents) from the precise amounts computed by the Statewide Payroll System

2011 Federal Income Tax Withholding Information

Examples of Withholding Calculations using the Percentage Method

1. A married employee is paid \$1,356.09 bi-weekly. This employee has in effect a Form W-4 claiming (0) withholding allowances. The employee also has a deferred comp deduction.

Using the percentage method, the income tax to withhold is computed as follows:

Total wage payment	\$1,356.09
(0) allowances claimed on W4	\$ 0.00
Deferred Comp deduction	\$ 60.00
Amount subject to withholding	\$1,296.09
(Subtract lines 2 & 3 from line 1)	

BIWEEKLY Payroll Period, for married Person.

\$1,296.09 falls within the range of \$958 - \$2,958, use the following calculation:

\$65.40 plus 15% of the amount over \$958	
$\$1,296.09 - \$958 = \$338.09$	
$\$338.09 \times 0.15 = \50.71	
Add \$65.40 + \$50.71 = \$116.11	Total Federal Tax to be withheld

2. An unmarried employee is paid \$4,000.00 monthly. This employee has in effect a Form W-4 claiming (2) withholding allowances.

Using the percentage method, the income tax to withhold is computed as follows:

Total wage payment	\$4,000.00
(2) allowances claimed on W4	\$ 616.66
(From the Allowance table)	
Deferred Comp deduction	\$ 0.00
Amount subject to withholding	\$3,383.34
(Subtract lines 2 & 3 from line 1)	

MONTHLY Payroll Period, for unmarried Person.

\$3,383.34 falls within the range of \$3,050 - \$7,142, use the following calculation:

\$395.85 plus 25% of the amount over \$3,050	
$\$3,383.34 - \$3,050 = \$333.34$	
$\$333.34 \times 0.25 = \83.34	
Add \$395.85 + \$83.34 = \$479.19	Total Federal Tax to be withheld